

**STATE OF MARYLAND
OFFICE OF PEOPLE'S COUNSEL**

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BILL NO.: **Senate Bill 304**
Renewable Energy Surcharge – Retail
Residential Electric Customers

COMMITTEE: **Finance**

HEARING DATE: **February 15, 2011**

SPONSOR: **Senators Manno and Garagiola**

POSITION: **Oppose**

Senate Bill 304 imposes a surcharge on certain residential electricity ratepayers to be paid into a Maryland Renewable Energy Benefit Fund administered by the Maryland Energy Administration (MEA). The purpose of the Fund is to promote energy efficiency and the development and deployment of renewable energy technology. The revenues from this Fund would be used to fund certain existing solar and geothermal grant programs administered by MEA and to award an annual grant to the Maryland Clean Energy Center. The Office of People's Counsel (OPC) opposes Senate Bill 304 for the following reasons:

- The surcharge is imposed on residential ratepayers (and a particular segment of those customers) only, although the stated purpose is to provide much broader public benefits.

- The surcharge is paid into a Fund that will provide grants and awards for an array of renewable energy, efficiency, technology and job development programs, Unlike utility Empower Maryland programs, these initiatives do not all provide direct residential ratepayer benefits.
- The surcharge would penalize ratepayers with higher usage and Standard Offer Service (SOS) customers.
- The surcharge relies on ratepayers to fund projects and programs that were intended to be funded with federal, state or private funding, without any PSC regulatory oversight over the use of the funds and without stakeholder (including OPC) participation in the decision-making process.
- Information is lacking on the estimated numbers of customers affected by the surcharge, the bill impact upon customers and the estimated proceeds to be distributed to projects and programs.

OPC understands that with the likely loss of federal and other funding and reduction in RGGI auction proceeds for renewable energy programs, ratepayer surcharges may be seen as a likely alternative funding option. However, OPC does not believe that the use of ratepayer surcharges, and in particular solely residential ratepayer surcharges, to fund programs developed and administered by other agencies and entities, without oversight by the Commission and participation of customer stakeholders in the process, and without regulatory review of the costs and benefits, is appropriate.

OPC has long recognized the role that energy efficiency and demand response can play in meeting the energy needs of Maryland households, and has supported the development of ratepayer-funded programs. Those initiatives are intended to help with the affordability and reliability concerns of ratepayers, while addressing environmental, climate and health concerns. Similarly, OPC has supported the renewable portfolio standard (RPS) and Maryland's participation in the Regional Greenhouse Gas Initiative (RGGI) as means of encouraging the development of renewable energy. However, the cost impacts of the existing renewable energy initiatives are not directly funded by ratepayers, but instead are reflected in prices paid by all electricity consumers. The programs are not subject to PSC review and approval, and are not subject to cost-effectiveness tests (in contrast to the EmPower Maryland programs).

Senate Bill 304 imposes a surcharge of \$0.013 per kwh on the bills of residential customers only. More particularly, the surcharge is imposed on residential customers in any month when the customer usage exceeds 1000 kwh (1000 kwh is typically used as an average level of residential usage). This would affect any customer who has high monthly electricity usage due to air-conditioning (not just peak usage), excessive heat pump usage due to cold weather (35 degrees and below), defective equipment or poorly insulated housing.

The bill provides for a rebate of \$0.01 per kwh to each customer who purchases electricity from a Tier 1 renewable source. In effect, those customers who purchase "wind energy" (there are several suppliers with wind energy offers

that are from 5%-100% wind) from competitive suppliers would not pay the surcharge, but Standard Offer Service (SOS) customers¹ would pay the surcharge.

The surcharge would be paid into a new Fund (in addition to the existing Strategic Energy Investment Fund (SEIF)), and distributed to Solar Energy, Geothermal Heat Pump and Windswept Grant Programs administered by the Maryland Energy Programs. The Fund also would be used to provide grant awards to the Maryland Clean Energy Center to support a variety of programs. In contrast to the ratepayer surcharges for the EUSP and EmPower Maryland programs, the use of these surcharge funds would not be subject to PSC oversight and approval (and by extension would be beyond the reach of OPC and other stakeholder participation).

¹ These customers include approximately 87% of residential customers of investor-owned utilities, as well as all customers of the municipalities and electric cooperatives.